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Preston

MINES LIMITED

Annual Report 1968

Preston
MINES LIMITED

ANNUAL AND GENERAL MEETING

The annual and general meeting of the shareholders of the Company will be held on Wednesday, April 16, 1969 at 11:00 a.m. (Toronto time) in the Conference Room, 26th floor, 120 Adelaide Street West, Toronto, Canada.

Annual Report 1968

Preston Mines Limited

Officers

R. D. Armstrong	President
W. P. Arnold	Vice-President
G. Baker	Vice-President
R. D. Lord	General Manager of Operations
A. C. Turner	Secretary
A. G. Goodeve	Treasurer

Directors

G. R. Albino
R. D. Armstrong
W. P. Arnold
G. Baker
J. I. Crookston
Dr. G. B. Langford
R. D. Lord
B. R. MacKenzie, Q.C.
W. C. Pitfield

Head Office

120 Adelaide Street West, Toronto, Canada

Bankers

The Toronto-Dominion Bank — Toronto and South Porcupine, Ontario

Solicitors

Bouck, Hetherington, Fallis, Trivett & Park — Toronto, Ontario

Auditors

Allen, Miles, Fox & Johnston, Chartered Accountants — Toronto, Ontario

Transfer Agents

Common Shares

Canada Permanent Trust Company	Toronto, Ontario
Canadian Bank of Commerce Trust Company	New York, N.Y.

Common Shares Listed

Toronto Stock Exchange	Toronto, Ontario
American Stock Exchange	New York, N.Y.

Directors' Report

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1968.

Financial

The Company's net earnings for the year 1968 were $2,317,011, representing 30 cents per share on the average number of shares outstanding during the year, as compared with $2,092,688 or 30 cents per share in the previous year. The Company's earnings, as in the past number of years, came substantially from dividends received on its 43.94% share interest in Rio Algom Mines Limited. In 1968 these dividends amounted to $2,152,960, as compared with the 1967 total of $2,018,400. The increase is attributable entirely to the fact that, by reason of the exercise of rights in the course of the Rio Algom rights issue in 1967, the Company acquired 672,800 shares prior to the payment of the second Rio Algom dividend in 1967 of 20¢ per share; on these shares two dividends of 20¢ per share each were received in 1968.

The Company's gold operation, which was shut down in June as the mine had reached the end of its life, earned a profit of $136,731 compared to $67,622 in the previous year. The increase in profit is mainly attributable to a reduction in costs resulting from the completion of mine development with production on a terminal basis and to recovery of gold from the milling plant at the time of shutdown. Gain on the sale of fixed assets totalled $172,829 during 1968, of which $149,169 resulted from sale of gold mine equipment; the remainder being related to sale of Stanleigh uranium assets.

In recognition of the cessation of the gold mining operation by reason of the physical depletion of gold reserves, the original cost of the gold mining property totalling $1,182,863 has been written off by a charge to Retained Earnings.

Two dividends of 14¢ per share each were paid by the Company in 1968, the first being on June 28 and the second on December 27, amounting in total to $2,197,813.

Operations

The Company's gold mining operation at South Porcupine was terminated during the year. The last ore was hoisted on May 31 and, after saleable equipment and materials were brought to the surface, the underground workings were permanently closed. Following completion of milling operations, the plant was cleared of all gold bearing material and placed on a care and maintenance basis.

In 1968, 11,968 fine ounces of gold were recovered from the 48,590 tons of ore milled and from the clean-up of the mill after operations ceased. Average mill head grade was 0.249 ounces per ton and the average mill recovery 96.6% compared to 0.201 and 95.6% in the previous year. The average grade of ore was higher mainly because a portion of the reserves was not mined since the grade was too low for profitable production.

All townsite houses are rented on an economically self-sustaining basis under short term arrangements while negotiations are in progress for eventual disposal. The small remaining staff are readying salvaged equipment and materials for sale as well as being engaged in fire protection duties. The program is proceeding satisfactorily and on-site expenditures are progressively being reduced to a minimum.

Stanleigh Property

The initial drilling program, which commenced in November 1967, for the purpose of assessing the potential of the Company's Stanleigh uranium property, was completed in August 1968. Five holes were drilled from surface to obtain more detailed knowledge of the ore potential down dip from the Stanleigh underground workings. The uranium values which were intersected by all five holes in three overlying conglomerate reefs were considered to be of sufficient significance to warrant further drilling.

Drilling from surface of three additional holes began in August. One hole was completed in November and the remaining two in February, 1969. The first hole and a second, undertaken as a joint development program with Rio Algom Mines Limited, intersected ore values consistent with those encountered in the first five holes. The third hole drilled to identify the northwest limits of the ore-bearing horizon did not encounter uranium bearing reefs. It is expected that further drilling will be carried out following the completion of two additional holes which are currently in progress.

Investment in Rio Algom Mines Limited

No change has been made in your Company's investment in Rio Algom which remains at 5,382,400 common shares, representing an interest of 43.94% of the issued common shares of that Company.

With the consent of Rio Algom and for your information, the report of the Directors of that Company to its shareholders for 1968 is reproduced in full as part of this report.

Appreciation

The Directors wish to express their appreciation to Mr. R. D. Lord, General Manager of Operations, Mr. J. Engstrom, Mine Manager, and the employees who remained with the operation during its final years and brought the gold mining activity to an orderly and satisfactory termination. Mr. Lord has made most valuable contributions to the Company in a succession of responsible positions during his thirty-three year association with the Company.

Directors and Officers

You will be asked at the Annual and General Meeting to authorize an increase in the Board of Directors from nine members to ten. It is intended that the additional position will be filled by Mr. J. R. Robinson, an Executive Director of The Rio Tinto-Zinc Corporation Limited. Mr. A. C. Turner, formerly Controller and recently appointed Secretary of Rio Algom Mines Limited on March 5, 1969 was appointed Secretary of the Company in succession to Mr. J. S. Turnbull.

On behalf of the Board

R. D. Armstrong
President

Toronto, Canada
March 5, 1969

Auditors' Report

To the Shareholders of Preston Mines Limited:

We have examined the statement of financial position of Preston Mines Limited as at December 31, 1968 and the statements of earnings and retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 19, 1969

ALLEN, MILES, FOX & JOHNSTON
Chartered Accountants

Preston Mines Limited

(Incorporated under the laws of Ontario)

Statement of Financial Position December 31, 1968

	1968	*1967*
CURRENT ASSETS:		
Cash	$ 105,991	*$ 66,423*
Short term investments, at cost, and deposits	1,292,685	*1,296,074*
Settlements and accounts receivable	42,153	*140,583*
Estimated amount receivable under The Emergency Gold Mining Assistance Act	26,649	*143,701*
Accounts receivable from affiliated companies	4,964	*1,359*
Mine supplies, at cost	—	*78,595*
Prepaid expenses	35,079	*45,155*
	1,507,521	*1,771,890*
Less:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	58,671	*145,806*
Accounts payable to affiliated companies	732	*15,963*
Unclaimed dividends	144,014	*144,014*
	203,417	*305,783*
WORKING CAPITAL	1,304,104	*1,466,107*
Investment in Rio Algom Mines Limited:		
5,382,400 common shares, at cost	50,828,700	*50,828,700*
Debentures, at cost	477,500	*477,500*
Plant and equipment, less depreciation (note 1)	—	*7,254*
Mining properties, less amortization (note 1)	2	*1,182,865*
Deferred development expenditure	315,228	*26,773*
EXCESS OF ASSETS OVER LIABILITIES	$52,925,534	*$53,989,199*
OWNERSHIP EVIDENCED BY:		
Capital stock —		
Authorized:		
1,069,925 4% cumulative, redeemable, non-voting preference shares with a par value of 50 cents each		
10,000,000 common shares without par value		
Issued:		
7,849,333 common shares	$26,910,985	*$26,910,985*
Contributed surplus	24,993,673	*24,993,673*
Retained earnings	1,020,876	*2,084,541*
	$52,925,534	*$53,989,199*

Approved on behalf of the Board:

R. D. ARMSTRONG, Director

G. R. ALBINO, Director

Statements of Earnings and Retained Earnings

YEAR ENDED DECEMBER 31, 1968

EARNINGS

	1968	1967
REVENUE:		
Bullion production less marketing costs	$ 453,209	$ 1,064,881
Estimated recovery under The Emergency Gold Mining Assistance Act	50,635	290,304
	503,844	1,355,185
OPERATING COSTS:		
Mine operating	367,113	1,284,454
Depreciation (note 1)	—	3,109
	367,113	1,287,563
PROFIT from mining operation before the undernoted items	136,731	67,622
ADD OR (DEDUCT):		
Dividends received from Rio Algom Mines Limited	2,152,960	2,018,400
Investment and other income	117,863	70,898
Gain on sale of fixed assets	172,829	77,847
Cost of reconditioning equipment sold and idle mine expense	(69,652)	(42,340)
Mine shutdown expense	(61,415)	—
Administrative and general expense	(61,860)	(58,366)
Termination pay	(70,445)	(26,383)
Exploration expenditures	—	(14,990)
NET EARNINGS FOR THE YEAR (note 2)	$ 2,317,011	$ 2,092,688
Net earnings per common share	30¢	30¢

RETAINED EARNINGS

	1968	1967
BALANCE, beginning of year	$ 2,084,541	$ 2,169,269
NET EARNINGS for the year	2,317,011	2,092,688
	4,401,552	4,261,957
DEDUCT:		
Dividends on common shares	2,197,813	2,040,827
Amortization of original cost of the depleted gold mining property (note 1)	1,182,863	—
Expense of common share capital issue	—	136,589
	3,380,676	2,177,416
BALANCE, end of year	$ 1,020,876	$ 2,084,541

Statement of Source and Disposition of Funds

YEAR ENDED DECEMBER 31, 1968

	1968	1967
SOURCE OF FUNDS:		
Net earnings for the year	$ 2,317,011	$ 2,092,688
Add depreciation charge which did not require a cash outlay during the year	—	3,109
	2,317,011	2,095,797
Less gain on sale of fixed assets included in earnings	172,829	77,847
Total from operations	2,144,182	2,017,950
Proceeds from sale of fixed assets	180,083	79,890
Issue of common shares (net of issue expense)	—	20,046,396
	2,324,265	22,144,236
DISPOSITION OF FUNDS:		
Dividends on common shares	2,197,813	2,040,827
Deferred development on Stanleigh uranium property	288,455	26,773
Investment in 672,800 common shares of Rio Algom Mines Limited	—	19,174,800
	2,486,268	21,242,400
INCREASE (DECREASE) in working capital	$ (162,003)	$ 901,836

Notes to Financial Statements

DECEMBER 31, 1968

1. FIXED ASSETS

	1968	1967
Plant and equipment consists of:		
Buildings, machinery and equipment, at cost	$21,778,580	*$23,046,879*
Less accumulated depreciation	21,778,580	*23,039,625*
	$ —	*$ 7,254*
Mining properties consists of:		
Mining properties, at cost	$ 1,752,654	*$ 1,752,654*
Less accumlated amortization	1,752,652	*569,789*
	$ 2	*$ 1,182,865*

In recognition of the cessation of the gold mining operation and physical depletion of the gold ore reserves, the original cost of the gold mining property was fully amortized in 1968 by a charge to retained earnings; the cost of plant and equipment was also fully depreciated during the year.

Fixed assets, including plant and equipment and mining property, used in the production of uranium were fully depreciated by December 31, 1963 at which time deliveries under contract had been completed.

2. INCOME AND MINING TAXES

Because of the exemptions and deductions permitted for tax purposes, it is estimated that the company has no liability for income or mining taxes for the year.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year ended December 31, 1968 the aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company was $49,689.

Directors' Report

(see note on page 4)

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1968.

Financial

Consolidated net earnings for 1968 were $13,012,000 as compared with net earnings of $11,259,000 for 1967. Net earnings per share on the average number of common shares outstanding were 99¢ in 1968 and 94¢ per share in 1967, in both cases after provision for dividends on preference shares.

Included in net earnings for 1968 is extraordinary income of $4,943,000 resulting from a gain of $3,984,000 on the sale of the Company's total shareholdings of British Newfoundland Corporation Limited and Churchill Falls (Labrador) Corporation Limited and the receipt of $959,000 representing the net management fee applicable to prior years received from these companies in 1968.

Net earnings from operations decreased from $11,259,000 in 1967 to $8,069,000 in 1968. The decrease of $3,190,000 is the net result of a decline of $7,415,000 in earnings of the Mining Division offset in part by an increase of $1,227,000 in Steel Division earnings together with reductions in corporate expenses, net interest costs and taxes. The reduction in Mining Division earnings is attributable mainly to revenue from uranium operations being lower than last year. As referred to in last year's Annual Report, in accordance with terms of the master Eldorado contract, production for delivery of lower priced parcels began in late May. In addition, a loss of uranium production was caused by a twenty-nine day strike at Elliot Lake which occurred in August 1968.

During 1968 dividends of $870,000 on preference shares and $4,900,000 on common shares were paid. Dividends on common shares were paid at the same rate of 40¢ per share as in 1967 and represented 37.7% of consolidated net earnings.

Bank loans were reduced during the year from $14,382,000 to $9,808,000. Of the reduction, $3,025,000 relates to loans for Anglo-Rouyn Mines Limited and Mines de Poirier Inc. The loans of these two companies, which at their maximum totalled $13,000,000, had been reduced to $8,025,000 at the end of 1968.

Working capital increased by $13,038,000 and totalled $88,779,000 at the end of the year. The net excess of assets over liabilities increased to $158,132,000 from $150,879,000. During the year, the Company expended $13,131,000 on capital projects and $685,000 on development projects.

Under the terms of its uranium sales contract with Eldorado Nuclear Limited, net advance payments of $11,138,000, made to the Company in prior years, became due in 1968 and were applied against uranium deliveries made in 1968. Advance payments of $2,125,000 remain to be repaid as at December 31, 1968; of this amount, $1,192,000 is due in 1970 and $933,000 in 1971.

Mining

The first stage of a long-term program to reactivate certain of the Company's uranium properties at Elliot Lake was substantially completed in 1968. This involved rehabilitation of the Old Quirke mine, reactivation and expansion of the Old Quirke mill and development of the New Quirke mine. Operations were transferred from Nordic to the Quirke facilities during the third quarter. The mill is processing production ore from the Old Quirke mine together with development ore and a small but increasing volume of production ore from the New Quirke mine.

The second stage of the reactivation of Elliot Lake properties is planned for completion in 1972. This reactivation program will permit an orderly increase in production capacity required to meet deliveries under contracts which had been signed previously with the United Kingdom Atomic Energy Authority, Ontario Hydro, and eight Japanese electric utilities. Under these contracts additional capacity will need to be brought into production at Elliot Lake during 1972. As the uranium market increases, additional production capacity will be brought on stream.

An extensive exploration program for uranium begun in the United States in 1966 brought its first positive results last year. In late 1968 a decision was taken to bring a new mine, to be operated by a wholly-owned United States subsidiary, into production in Utah. Planning has been completed for an annual rate of approximately 1,200,000 pounds of uranium oxide. The development of the uranium property and shaft sinking is expected to commence in 1969. The mine is scheduled to begin production in 1972. Deliveries will commence in that year to the Duke Power Company of Charlotte, North Carolina at the rate of 500,000 pounds of uranium oxide per year from July 1972 to June 1978. Discussions are being held with other potential customers for the sale of the balance of the output from the property.

The detailed investigation program carried out during the past several years on the Lornex Mining Corporation Ltd. copper-molybdenum prospect in the Highland Valley area of British Columbia was completed towards the end of 1968. The comprehensive evaluation report developed from this investigation indicates that the estimated total capital investment to bring the property into production at a rate of 38,000 tons of ore per day would be $120,000,000, which amount includes expenditures made to date. Annual production would be in the order of 109,500,000 pounds of copper in concentrate and 2,500,000 pounds of molybdenum in concentrate. At these production rates the mine would have a life of approximately 21 years. Negotiations are currently in progress with potential purchasers of the Lornex concentrates and with financing sources for the purpose of determining whether product sales and financing arrangements can be negotiated on bases which would warrant developing the Lornex mineral claims for production.

During the past several years, substantial and increasing amounts of funds have been devoted to seeking, finding and proving new orebodies in Canada and in the United States. Exploration work is being carried out by the Company on its own account and also through participation in joint exploration ventures with other companies. Such programs centre on the search for uranium and base metals. The Company is actively and continually examining new exploration prospects. In 1968, the net exploration cost of the Company was $1,257,000 a 22.5% increase over 1967 and more than double the 1966 exploration expenditures of $627,000. This expenditure does not include development costs relating to the Utah uranium or the Lornex copper-molybdenum projects.

Steel

The continued improvement in operating results of the Tracy plant was again the principal reason for the increase in Steel Division operating earnings. Sales by the Division reached a record high in 1968, despite the generally soft market for specialty steels, which continued until late in the year. The Welland plant sales volume was lower and product mix declined in the year, compared to 1967, and caused a decrease in the profit earned by this plant. Market conditions improved during the last quarter and the order backlog for both Welland and Tracy at the end of 1968 was better in terms of both tonnage and product mix than at the end of the previous year. A further improvement in operating results is expected for 1969 if general economic conditions are favourable.

The construction program at the Tracy plant as now planned was completed in 1968 with the installation of a stream vacuum degassing unit which was brought into production in the fourth quarter. A major long-term program for improving the technological capability, reducing costs, and upgrading the product mix of

the Welland plant, which was initiated in 1967, is progressing on schedule and will continue through 1969 and several subsequent years.

Other Interests

In August 1968, the Company's total shareholdings of Churchill Falls (Labrador) Corporation Limited (Churchill Falls) were sold to British Newfoundland Corporation Limited (Brinco) and the Company's total shareholdings in Brinco were sold to a new Canadian company formed by The Rio Tinto-Zinc Corporation Limited and Bethlehem Steel Corporation. Effective January 1, 1969, the Company assigned and transferred to a company, established by The Rio Tinto-Zinc Corporation Limited to provide administrative services to certain of its affiliated companies, its responsibility for providing supervisory management services and its right to receive a management fee.

The decision to sell these interests was made based on the amount of additional investment in Brinco and Churchill Falls which would have been required from the Company and the period of time before dividends could be expected as compared to the substantial alternative opportunities that exist in the mining field. A total of $16,134,735 in cash was received from the sale of these interests. In accordance with the terms of the management contract signed in February 1967, a total fee of $2,167,123 less interim payments was received in 1968 by the Company in respect of services rendered up to December 31, 1968.

Future Outlook

The improvement in Steel Division operating results which began in 1967 developed further in 1968 and is expected to continue in 1969 if economic conditions remain favourable. Production of uranium concentrates will be increased by approximately one-third in 1969. This increase is required to provide product for commencement of deliveries to the Japanese utilities at the rate of 1,000,000 pounds of uranium oxide concentrate per year and for the delivery of 186,000 pounds of uranium oxide concentrate to Canadian Westinghouse Company Ltd. under a contract obtained late in 1968. Copper prices are subject to a wide variety of diverse factors and their movement is not predictable.

The growth in worldwide demand for uranium for nuclear power is developing, as expected, at a rapid rate throughout the world. A decline in the rate of ordering of nuclear power stations by American utilities in 1968, after an extremely high rate in the previous year, was anticipated, but the United States Atomic Energy Commission has confirmed its prior projections of the expected rapid growth of nuclear power in the United States.

The inherent advantages of nuclear power in industrial Europe as a whole have now become so widely recognized that the rate of nuclear expansion in that area is expected to accelerate in the fairly near future, and a significant increase in the number of orders for nuclear stations is anticipated in Europe during 1969.

The commitment to nuclear power by some of the smaller European nations appears greater than had been previously recognized. Up to now, the future for uranium has been predicated primarily on the growth in the use of nuclear energy for electric power. In addition, there are projects being examined throughout the world to develop other uses for nuclear energy.
Meanwhile, it has become increasingly clear that major additions to known low cost uranium ore reserves will have to be proven and developed relatively soon if sufficient production capacity is to be available, on a global basis, to meet long-term growth in demand. It is still expected that demand will start to exceed supply from total production capacity available to the non-communist countries by the mid 1970's.

It is considered that the Company is in a unique position to benefit from the rapidly-increasing world demand for uranium. It has established a sizable forward order position which assures continuity of operations and which will support the orderly expansion of production at Elliot Lake. The Company's uranium holdings in Canada rank with the largest low cost uranium reserves in the world. These reserves are to a large extent uncommitted in spite of the backlog of approximately 50 million pounds. Also, since production will come from several mines, the Company has a flexible production capability. In addition to its Canadian uranium reserves, the development of the Utah property, the production from which is only partially committed, has the effect of establishing the Group as a supplier to United States consumers.

Organization

During the year Mr. G. R. Albino was promoted from Vice-President and Executive Assistant to the President to become Executive Vice-President, Corporate Staff, and Mr. W. P. Arnold and Mr. O. S. Leslie, who had been Vice-Presidents and General Managers of Operations of the Mining and Steel Divisions respectively were promoted to Executive Vice-Presidents in charge of these operations. These promotions were made in recognition of the high standard of performance of these officers and the assumption by them of increased responsibilities.

Mr. G. Baker, who had been Vice-President, Administration since 1964, and Secretary since 1960, resigned effective January 1, 1969 to take up new duties as General Manager of Tinto Holdings Canada Limited and the Canadian company established by The Rio Tinto-Zinc Corporation Limited to provide

administrative services to certain of its affiliated companies. Mr. A. C. Turner, formerly Controller, on February 28, 1969 was appointed Secretary in succession to Mr. Baker.

The dispersed nature of the Company's operations means that it is dependent for its success on the efforts of a large number of people applying a wide variety of skills in furtherance of the Company's objectives. Your Directors wish to express their appreciation to all members of the Company for their effective efforts during the past year.

On behalf of the Board
R. D. Armstrong
President

Toronto, Canada
February 28, 1969

Rio Algom

Rio Tinto

Printed in Canada.

PRESTON MINES LIMITED

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

for the six months ended June 30, 1968
($000's omitted)

	1968	*1967*
Source of funds:		
Operations—		
Net earnings for the period	$1,085	$ 980
Add depreciation charge which did not require a cash outlay during the period	—	2
	1,085	982
Proceeds from sale of surplus gold mining equipment	7	1
	1,092	983
Disposition of funds:		
Dividends paid on common shares	1,099	942
Deferred development expenditures—Stanleigh drilling programme	132	—
	1,231	942
Increase (decrease) in working capital	**$ (139)**	**$ 41**

Corp report

Preston Mines Limited

Interim Report to the shareholders

for the six months ended June 30, 1968

TO THE SHAREHOLDERS:

Earnings from gold mining operations for the first six months of 1968, after providing for estimated mine shutdown costs, were $63,000 compared to $23,000 for the same period in 1967. The increase in earnings was the result of reduced development work as the mine approached the end of its life. During the operating period, 48,590 tons of ore were milled producing 10,359 ounces of gold. Revenue from gold production of $454,000 includes approximately $61,000 estimated to be recoverable under the Emergency Gold Mining Assistance Act.

After 29 years of operation, and production of some 1,700,000 ounces of gold, the Preston gold operation was shut down early in June as the mine had reached the end of its life. However, the closing will have virtually no impact on Company earnings since Preston's principal source of revenue is its 43.94% interest in Rio Algom Mines Limited.

Salvage of underground gold mining equipment and clean-up operations are expected to be completed by early August and disposal of equipment and supplies is being carried out as expeditiously as possible. The cost of the gold property of $1,182,865 has been written off by a charge to retained earnings. Full provision has been made for expected termination pay.

Investment and other income of $1,136,000 includes dividend income of $1,076,480 received in June from Rio Algom Mines Limited. A dividend of $1,098,906 was declared by your directors on May 31, 1968 and paid on June 28, 1968.

The scope of the diamond drilling programme on the Stanleigh uranium property at Elliot Lake has been enlarged from the initial previously reported five holes to a total of eight holes. The drilling of one of the additional holes will be undertaken as a joint development project with Rio Algom Mines Limited, its location being at the boundary of the Milliken-Lacnor property. Two holes have been completed and the results announced previously. Three other holes are underway and the results of these three additional holes will be announced on their completion.

Toronto, Canada
July 31, 1968

R. D. ARMSTRONG
President

Subject to year-end audit and adjustments.

PRESTON MINES LIMITED
STATEMENT OF EARNINGS

for the six months ended June 30, 1968
($000's omitted)

	1968	*1967*
Revenue from gold production less marketing costs	$ 454	$ 761
Mine operating costs including depreciation, and shutdown costs in 1968	391	738
Profit from mining operation	63	23
Proceeds from sales of fixed assets	15	62
Investment and other income	1,136	975
	1,214	1,060
Deduct:		
Cost of reconditioning equipment sold and idle mine expense	26	29
Termination pay	71	7
Exploration expenditures	—	15
Administrative expenses	32	29
	129	80
Net earnings for the period	$1,085	$ 980